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United Nations

Committee for Development Policy

Report on the eleventh session (9-13 March 2009)

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Note

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Summary

The present report contains the main findings and recommendations of the eleventh session of the Committee for Development Policy, held at United Nations Headquarters from 9 to 13 March 2009. The Committee addressed the following themes: international cooperation on global public health and, in particular, the importance of tackling inequalities; the global financial turmoil and its impact on developing countries; climate change and development; and, the triennial review of the list of the least developed countries.

In its review of the international cooperation for health (with emphasis on global partnerships), the Committee concluded that much greater consideration should be given to the persistently high inequalities in access to health services and in health outcomes. Such inequalities exist by income groups, gender, race, ethnicity and geography and are manifest especially in disadvantageous health outcomes for the poorest. Poor health conditions, in turn, affect other dimensions of well-being and are a cause of poorer education performance and lower incomes. Addressing health inequalities requires redressing international cooperation in health. It requires that both recipient and donor Governments take an integrated view of the health system, giving priority to primary care and the strengthening of the institutional and technical capacities of health delivery systems. Global health partnerships should aim to support these objectives, thereby helping to reduce health inequalities.

The Committee discussed the implications of the current global financial crisis for developing countries. It concludes that there is a need to raise the revenue capacity of Governments through measures that would improve tax collection. International cooperation to combat tax evasion taking place through international tax havens should be a crucial ingredient of these efforts. Enhanced compensatory finance, much larger than is currently in place and designed to deal with the consequences of trade and financial shocks affecting developing countries, is urgently needed and should be made accessible without the restrictive policy conditions attached to existing mechanisms. A significant part of financing should come from counter-cyclical issuance of special drawing rights (SDRs) by the International Monetary Fund (IMF). The role of SDRs as a global reserve currency should be gradually increased. Further, a comprehensive and global regulatory mechanism of the international financial system needs to be established in order to prevent new crises. This requires fundamental reforms of existing institutions, including making these more inclusive. Members of the Committee considered the outcomes of the April meeting of the Group of Twenty, and welcomed the proposals to increase the resources of IMF, the allocation of SDRs, and the arrangements for global regulation of the financial system, as steps in the right direction but indicating more should be done.

The climate change problem has become increasingly urgent. There is a need for every country to adopt carbon-saving technologies. The financial crisis provides an opportunity to alter conventional patterns of investment and production. New development trajectories should be sought based on carbon-saving technologies. Developed countries need to facilitate technology transfer and finance to developing countries for global mitigation. Improved governance and a review of the financial architecture for addressing climate change are needed to ensure policy coherence and a focus on sustainable development. A climate impact vulnerability indicator at the national level to guide adaptation strategies should be developed.

The Committee found two countries — Papua New Guinea and Zimbabwe — eligible for inclusion in the list of least developed countries. Both declined to join the category, however. The Committee found Equatorial Guinea eligible for graduation from the list and recommends the country's graduation. Tuvalu and Vanuatu were also considered eligible, but are not recommended for graduation. They will be considered for possible graduation at the next triennial review. Kiribati, which had met the graduation criteria for the first time in 2006, was not found eligible. The Committee noted the continued positive development progress of Maldives and Samoa, which are scheduled for graduation, as well as of Cape Verde, which has recently graduated. It reiterated the importance for graduating countries of developing a smooth transition strategy with the support of their respective development partners.

[20 April 2009]

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Chapter I

Matters calling for action by the Economic and Social Council or brought to its attention

A. Matters calling for action by the Council

Recommendation 1: towards the implementation of internationally agreed goals on global public health

1. Inequalities in health matter for achieving goals in global public health: numerical targets for national achievement can be met even though a large number of less privileged members of society are left behind. The Committee for Development Policy recommends to the Economic and Social Council that it advise the General Assembly to include a small set of indicators on specific health targets for the poor and disadvantaged in the internationally agreed goals for global public health. These inequalities should be monitored by income group, region, ethnicity or race, age and gender and should be included in the Millennium Development Goals Report. In line with the findings of the World Health Organization (WHO) Commission on the Social Determinants of Health, this approach will require addressing the existing inequalities that condition health outcomes.

Recommendation 2: triennial review of the list of least developed countries

2. The Committee for Development Policy recommends to the Economic and Social Council that Equatorial Guinea be graduated from the list of least developed countries.

3. In line with General Assembly resolution 59/209, the Committee advises the Council to reiterate the importance for development partners to implement concrete measures in support of the transition strategy of ensuring a durable graduation. In this respect, the continued access by graduated countries to the resources of the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries and of the United Nations Framework Convention on Climate Change Adaptation Fund for least developed countries is of particular importance.

Recommendation 3: global financial and economic crisis

4. Onerous policy conditionality attached to the use of current sources of compensatory financing needs to be revised and aligned to internationally agreed development goals. Such conditionality has been proven notoriously inefficient, while the crisis currently affecting developing countries is not the result of their own policies. The Committee for Development Policy recommends that the Economic and Social Council address the issue of conditionality attached to compensatory finance in its consultations with the Bretton Woods institutions with a view to promoting the necessary reforms to the existing compensatory finance mechanisms.

Recommendation 4: climate change and development nexus

5. The current financial architecture for addressing climate change is becoming increasingly complex, with the proliferation of new proposals reducing transparency in terms of the complementarity, additionality and adequacy of resources and their

uses for climate change mitigation and adaptation programmes. The Committee for Development Policy recommends that the Economic and Social Council review the financial architecture for addressing climate change at its next Development Cooperation Forum, in 2010, to ensure policy coherence and a focus on sustainable development. The Committee further recommends that the Council request the appropriate United Nations bodies (in consultation with the Commission on Sustainable Development) to develop a climate impact vulnerability indicator to better assess developing countries' vulnerability to climate change and design proper adaptation responses.

B. Matters brought to the attention of the Council

1. Towards the implementation of internationally agreed goals on global public health

6. International assistance, including global health partnerships, should be designed to make progress in health in a fair and equitable manner. There is a need to build and enhance synergies between the functioning of disease-specific global health partnerships and essential health-care services provided by the national health systems through better coordination between the two and by strengthening the delivery capacity of national systems. Global health partnerships need to ensure that their actions do not fragment or weaken national health systems. New global health partnerships should be introduced only if they pursue these objectives.

7. Access to low-cost medicines is fundamental to improve the health of the poor. The amendment on patents and public health to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is procedurally complex which limits countries' ability to make use of existing opportunities. Access should be further facilitated with a review and reform of the patent and property rights regimes so that they are truly development-friendly. Reforms as such, however, are protracted processes. In the meantime, the provision of technical assistance is necessary to improve the capacity of countries to comply with the provisions of the amendment of the TRIPS Agreement.

2. Triennial review of the list of least developed countries

8. The Committee finds that Tuvalu and Vanuatu fulfil the criteria for graduation for the second consecutive time but are not recommended for graduation. They will be considered for possible graduation at the triennial review in 2012.

9. For the next triennial review, the Committee requests the United Nations Conference on Trade and Development (UNCTAD) to prepare vulnerability profiles for these countries in accordance with the guidelines specified in its report on the tenth session[1] and with General Assembly resolution 59/209. The Department of Economic and Social Affairs is expected to update the ex-ante impact assessment of the possible graduation of Tuvalu and Vanuatu prior to the 2012 review.

[1] See *Official Records of the Economic and Social Council, 2008, Supplement No. 13* (E/2008/33), chap. IV, paras. 27 and 28).

3. Monitoring the development progress of graduating countries

10. The two graduating countries, Maldives and Samoa, have shown continued positive development progress. At the same time, the Committee signals the need for support from the United Nations system and the development cooperation partners to these countries in developing transition strategies which will ensure their durable graduation.

4. Monitoring the development progress of Cape Verde

11. Cape Verde, which graduated from the category in December 2007, has made very satisfactory progress. However, the country remains economically vulnerable and sustained efforts are needed to achieve success in the structural transformation and upgrading of the economy.

Chapter II
Global public health: the importance of tackling inequalities

1. The Economic and Social Council decided that the 2009 annual ministerial review would review the implementation of "the internationally agreed goals and commitments in regard to global public health". In assisting this review, the Committee for Development Policy examined ways in which the global system affected health inequalities within and between countries, including by assessing how global health partnerships — an innovative and important vehicle for international cooperation — can better shape the delivery of health services.

2. The Committee considered that international assistance should be designed to promote equitable progress in health. Moreover, it found that assuring equitable health outcomes was an effective way of achieving progress in health generally. Thus, it examined the current status of health inequalities, its implications for attaining the Millennium Development Goals and the impact of global health partnerships through the "equity lens".

A. Why health inequalities matter for achieving the internationally agreed goals

3. First, achieving good health is a precondition of all other capabilities. Where health inequalities are large, the poor are most likely to be experiencing low productivity and incomes and an unsatisfactory standard of overall welfare. Moreover, good health is an intrinsic component of human security. A significant share of the populations of many developing countries still suffers from preventable or easily treatable diseases because access to health-care services is severely restricted, owing to insufficient or poorly distributed health infrastructure, a lack of financial resources or social impediments.

4. Secondly, there are severe health inequalities within nations. These national inequalities have significant implications for achieving the internationally agreed goals. In the absence of well-targeted efforts to provide the necessary health services for worse-off groups (such as the poor in general, people living in remote areas and members of disadvantaged groups), achieving a national average target does not necessarily lead to an equal improvement in health conditions of all groups, and may be accompanied by a relative worsening for the disadvantaged.

5. Thirdly, investing in the health of children has lifelong implications for production and incomes. Early interventions can prevent permanent disabilities, thereby providing major social and economic advantages for individuals and society.

6. Finally, health inequalities in a nation reflect and reinforce other inequalities, including an interplay of cultural, political and economic factors. Aggravated inequalities — not only in health, but also on other fronts — can become a source of social unrest or conflict, which in turn can have a serious adverse impact on health.

7. Efforts by official donors and global health partnerships to improve health in developing countries would be better attuned with the spirit of the Millennium Declaration if their objectives explicitly incorporated the reduction of inequalities in health and other pertinent areas.

8. Health inequalities directly affect the implementation of the Millennium Development Goals on health, and indirectly that of other Goals. Where inequalities are high and rising, it is more difficult to achieve the Millennium Development Goals, while efforts to achieve the Goals may increase inequalities, with the better-off benefiting disproportionately. This may be because of discrimination or because it is more difficult for the health authorities to extend services to the worse-off, who often live in remote areas. However, an accurate interpretation of the philosophy underlying the Millennium Development Goals would focus efforts on the disadvantaged.

B. Health inequalities: underlying evidence and determinants

9. The Committee notes that despite progress, data on health conditions are often inadequate, particularly in low-income countries. Yet enough is known to indicate strong global and national health inequalities,[2] with both health status and resources devoted to health differing widely between and within countries.

10. Differences in income levels are associated with significant disparities in health indicators, as in the following examples:

(a) In high-income countries, average life expectancy is 80 years, compared with 59 years in low-income countries, while under-five mortality is 7 per 1,000 births, compared with 110 per 1,000 in low-income countries;

(b) In 55 developing countries, attendance for maternal delivery among the poorest fifth of the population is less than half of that of the richest quintile.

11. There are also wide racial and ethnic differences in health and major regional discrepancies within countries, as seen in the following examples:

(a) In Washington, D.C., United States of America, a predominantly black and Hispanic community, life expectancy is 63 years compared with 80 years in neighbouring Montgomery County, Maryland;

(b) Infant mortality for Indonesian ethnic Chinese is one quarter that of other Indonesians;

(c) Within the Russian Federation, there are differences of 20 years in life expectancy among regions.

12. At the national level, health disadvantages replicate inequalities in socio-economic status by gender, ethnicity and geographical area, which, in turn, reflect inequitable access to economic resources, education and occupation. In virtually all developing countries, children born in poorer families face a higher probability — in some countries three times higher — of dying before reaching age 5 than those from richer families. Similarly, education, especially female education, is positively correlated with health. Health inequalities also occur across space, partly owing to natural differences in prevalent risks.

[2] Commission on the Social Determinants of Health, *Closing the Gap in a Generation: Health Equity through Action on the Social Determinants of Health*, Geneva, World Health Organization, 2008.

13. Discrimination against specific racial, ethnic or religious groups has serious consequences for the determinants of health and for health outcomes.

14. Gender disparities often occur in access to health care and the quality of services. Life expectancy and infant mortality rates for females are generally better than for males, but not in some Asian countries where there is strong discrimination against females. Moreover, women face particular health risks, through pregnancy and birth and exposure to insalubrious domestic environments, and generally receive poorer quality health care.

15. In addition, the distribution of health infrastructure is frequently uneven geographically, as is access to services by group. Rural areas are often inadequately served by health personnel. The health sector's capacity to meet the needs of the poor is also severely handicapped by the high prices of medicines and by the challenges faced by national Governments in securing access to cheaper generic drugs. The amendment on patents and public health to the TRIPS Agreement introduced some flexibilities to TRIPS, but is procedurally complex, which limits countries' ability to make use of existing opportunities.

C. Global support for health

16. International development assistance for health accelerated with the launching of the Millennium Development Goals and by 2006, commitments by bilateral and multilateral donors had reached $12.6 billion. The pattern of resource allocation also changed. While HIV/AIDS and infectious disease control absorbed about 20 per cent of the development assistance for health in the 1990s, those programmes accounted for 51 per cent of all commitments in 2005-2006, and the share supporting health-care training and administration declined from 36 to 18 per cent.[3]

17. A major impetus for health financing has been the proliferation of new institutional arrangements: between 80 and 100 global health partnerships have been created with various objectives. These alliances among public institutions (national or multinational), civil society organizations, philanthropic foundations and private companies, have been identified by WHO as key for achieving significant improvements in global health.

18. Most global health partnerships programmes take a disease-specific approach, with around 60 per cent of them targeting three diseases, namely, HIV/AIDS, tuberculosis and malaria. There are also global health partnerships devoted to the eradication of less well-known diseases. Only a few global health partnerships are designed to strengthen national health services. Alleviating inequality of health outcomes within countries does not generally feature in the design of global health partnerships.

19. The emergence of global health partnerships has had both positive and negative effects on the capacity of developing countries to tackle health problems. Global health partnerships function reasonably well in terms of improved access to specific treatments. They have become important vehicles for achieving the overall health-related Millennium Development Goals, including through increased funding

[3] Organization for Economic Cooperation and Development-Development Assistance Committee, "Measuring aid to health", October 2008, available from www.oecd.org/dac/stats/health.

by private agents — such as foundations and companies — as well as by official donors. Nevertheless, the contributions have not always been additional. Moreover, there are concerns about the role of global health partnerships in addressing health inequality, and their impact on national health systems and the coherence of the international aid architecture. The Committee emphasized the need to improve the balance of their contributions towards better distributed health outcomes and stronger national health services.

1. Global health partnerships and the promotion of equality

20. The relationship between global health partnerships and equity operates through four channels: the selection of beneficiary countries; the impact on national health services; the nature of the targeted diseases; and the distributional consequences of their working procedures.

(a) The poverty-disease nexus

21. The main diseases targeted by global health partnerships are those suffered by poor people. Yet the impact of the interventions on the disadvantaged depends on the way the global health partnerships operate and on the social and economic context. To ensure that benefits reach all, the interventions should strengthen the health-care system and be appropriate to the specific social and cultural conditions of each group.

(b) Resource allocation

22. One way global health partnerships can address inequality is by focusing on the poorest countries. Global health partnership activities and resources are mainly oriented to poorer geographical areas, especially in sub-Saharan Africa, partly because of their focus on infectious diseases, 90 per cent of which are reported in developing countries. However, the leading killer diseases in most poor countries are respiratory and intestinal diseases resulting in millions of child deaths, diseases that are neglected in the global health partnerships. It is thus essential that the global partnerships do not divert resources from other urgent needs, but bring additional resources.

(c) Impact on national health services

23. The effective and equitable reduction of the diseases targeted by the global health partnerships depends on the ability of the national health systems to integrate preventative, diagnostic and therapeutic measures. Moreover, expansion of basic health services for the poor is essential for reducing health inequality. Yet the capacity to do so is frequently inadequate in low-income countries.

24. In general, global health partnerships have devoted insufficient attention to strengthening national health systems. Indeed, global health partnerships can pull medical personnel from other parts of the health sector, thereby compromising delivery of services, and "there is a serious risk that weak human resource and systems capacity at central and local levels can be overwhelmed by the growing

proliferation of GHP". [4] Creating additional capacity in the national health services, instead of diverting it, is essential.

(d) Adjusting working procedures

25. In order to make progress on health equity, the objective must be incorporated explicitly into the definition and design of the interventions by developing approaches that are sensitive to the conditions of the poorest groups.

2. The global financial crisis and health

26. The current global economic crisis threatens progress in many developing countries. Any shortfall in fiscal revenues and resultant pressure on budgets could have large repercussions on health, particularly among the worse-off who rely on public assistance for securing essential health-care services. Moreover, falling remittances of migrants, increasing unemployment and lower wages imply fewer resources available to cover health costs. In addition, countries which depend on foreign assistance (including by non-governmental organizations) for basic health care will face particular risks if assistance flows are not sustained. It is important to avoid repeating the experience of many developing countries in the 1980s and transition countries in the 1990s, when social sector expenditures were frequently cut and health outcomes worsened.

D. Recommendations

27. In sum, health inequalities matter for achieving the goals of global public health: average national targets can be met while many people are left behind. Many important factors determining health and health inequalities lie outside the actual health services. Most important are the general socio-economic inequalities in society which worsen the overall health of a society.

28. The Committee supports the recommendations of the WHO Commission on Social Determinants of Health, which include:

(a) To improve the daily living conditions of the poor;

(b) To tackle the inequitable distribution of power, money and resources in society;

(c) To measure and understand the problem of the determinants of health inequalities and to assess the impact of action on the poor.

29. The Committee recommends to the Council that it enhance its monitoring activities on performance on the Millennium Development Goals health goals by including an indicator on achieving the targets among the poor and disadvantaged. More specifically, the Council is recommended to advise the General Assembly to request the Secretary-General of the United Nations to take the following actions:

(a) Monitor health inequalities by income group, region, ethnicity and race, age and gender;

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[4] K. Caines and others, *Assessing the Impact of Global Health Partnerships*, Department for International Development Health Resource Centre, 2004.

(b) To achieve this, a small set of key indicators of health inequalities for global monitoring should be selected: for example, healthy life expectancy (male, female), the under-five mortality rate (urban, rural), and the infant mortality ratio (by wealth quintiles), among others.

30. To promote the achievement of the Millennium Development Goals on health and to reduce health inequalities, the Committee also recommends the following international actions concerning the health sector by Governments:

(a) Essential access to low-cost medicines and treatments should be further facilitated through a review and reform of the international patent and property rights regimes so that they are truly development-friendly. Since agreement upon and implementation of reforms are likely to be protracted, in the meantime, the provision of technical assistance to improve countries' capacity to comply with the provisions of the TRIPS amendment is recommended;

(b) Adjustment policies in reaction to the global financial crisis should sustain expenditure on health and education, especially on basic services benefiting the disadvantaged groups. In this regard, the international community should sustain development assistance supporting health and education.

31. The Committee further recommends the following actions concerning global health partnerships by donor Governments, international organizations and other development partners:

(a) Global health partnerships should be designed and implemented in ways that address the factors limiting equitable access to health services;

(b) Coordination should be improved so as to reduce conflicts between disease-specific interventions and general health services. New global health partnerships should be introduced only where they support this objective;

(c) The effectiveness and coverage of national health systems should be strengthened as a goal in itself and a means to integrate the global health partnerships with the system as a whole and to improve their outcomes. Actions should be taken to ensure that global health partnerships do not weaken or fragment national health systems.

32. Lastly, the Committee recommends to national Governments to take the following measures in the health sector, supported by aid:

(a) Assure universal access to health services of a satisfactory quality, including by:

(i) Redesigning training and task allocation to improve the supply and distribution of health personnel;

(ii) Removing user charges for basic health facilities;

(iii) Improving the distribution of services across regions and groups;

(b) Improve the balance between primary and secondary health care, which may also involve restructuring the education and training of medical personnel;

(c) Emphasize the provision of preventative health education and health services. Health education should become a major component of the educational curriculum. Additionally, female education should be promoted not only to advance

gender equality but also to promote better health outcomes for women and their families;

(d) Provide financial support for the disadvantaged when they use preventive health services;

(e) Eliminate all sources of discrimination within the health service itself and in relevant sectors of society, including racial, ethnic, gender and age discrimination;

(f) Promote a healthier physical environment, including the use of less polluting and damaging cooking stoves and fuels;

(g) Tax and regulate items that cause ill health. The revenue may be used to support the health sector. Tax and regulation should extend to: tobacco, alcohol, "junk" food and soft drinks and "luxury" health services, such as cosmetic surgery.

Chapter III
Global financial turmoil and its implications for developing countries

1. At its March 2008 session, the Committee for Development Policy had examined the worsening global economic outlook fuelled by the increasingly turbulent international financial markets. It noted that a severe global downturn could have a very negative impact on economic growth in developing countries through trade and financial shocks. The Committee stressed that, at the international level, resources available for compensatory financing were too small, slowly disbursed, and subject to inappropriate conditionality. The Committee also outlined desirable features of a radically reformed contingency financial architecture to provide "official liquidity and aid to developing countries suffering the negative impact of external shocks".[5] It recommended restarting issues of SDRs by the International Monetary Fund (IMF), including financing reformed compensatory financing.

2. A year later, the world is facing its worst recession since the 1930s. The rapidly unfolding global financial and economic crisis is going to severely disrupt economic growth worldwide and endanger progress towards the achievement of internationally agreed development goals. In the context of a highly integrated global economy, lacking adequate regulation and global governance structures, the breakdown in one of its parts easily leads to failures elsewhere. Globalization of trade and finance has generated contagion of both benefits and costs. Public policy is evolving rapidly as demonstrated, for instance, by the relevant decisions by the Group of Twenty (G20) summit that took place three weeks after the meeting of the Committee for Development Policy.

A. Combating the global crisis

3. The current economic crisis requires action at the following fronts:

1. Strengthening fiscal capacity: addressing tax havens

4. Fiscal policy is the essential tool of Governments for the revival of domestic economic activity in the present critical situation. Developing countries are particularly adversely affected by the current economic crisis, due to reduced global demand, lower commodity prices, and difficulties in obtaining finance as well as official development assistance (ODA). In trying to respond to the crisis, developing countries often lack the resources to pursue counter-cyclical monetary and fiscal policies and to implement large stimulus and bailout packages for their banking systems and manufacturing industries. They are presently also affected by crisis-related measures taken by developed countries, including unfair trade practices, rising protectionism, and restrictions on migration.

5. These asymmetries to the disadvantage of developing countries reduce their capacity to respond to the ongoing crisis with counter-cyclical policies, thus reinforcing the need for urgent measures at the international level. The strong

[5] *Official Records of the Economic and Social Council, 2008, Supplement No. 13* (E/2008/33), chap. III.

interlinkages among countries require that fiscal stimulus packages be effectively coordinated internationally.

6. The financial capacity of Governments worldwide must also be strengthened through measures that improve tax collection. A large portion of profits from global financial flows and capital gains are today untaxed or under-taxed. Enormous resources leaked from the tax systems of countries in both the North and South are sheltered in tax havens. Tax evasion is intermingled with money-laundering, corruption, the financing of terrorism and drug trafficking — pervasive "public bads" — and penalizes legitimate and honest citizens. Although tax evasion is a global concern, it severely affects the developing countries, depriving them of essential resources that could be used to finance their development.

7. As stated in the Monterrey Consensus[6] and the Doha Declaration,[7] combating tax evasion through international tax havens should be a crucial ingredient of innovative financing for development. Steps forward have already been taken by the United Nations Committee of Experts on International Cooperation in Tax Matters and the Organization for Economic Cooperation and Development (OECD), though limited to OECD members and the financial centres that have entered into agreements bilaterally on the exchange of information on tax matters. Collaboration between the United Nations Committee of Experts and OECD should be encouraged to design measures to fight international tax evasion and improve the tax revenue of developing countries. Effective solutions require a stronger mandate for the United Nations Committee of Experts and a strengthened secretariat.

8. In this regard, the announcement that the G20 has agreed to take action against non-cooperative tax havens is a welcome development. Such action should be quickly implemented, with due consideration for the needs of developing countries, and by taking account of expertise developed on the issue.

2. Compensatory international measures

9. The intensification of the crisis reinforces the urgent need for the enhancement of effective compensatory finance, as was stressed by the Committee for Development Policy in 2008. The severe consequences of trade and financial shocks affecting developing countries imply that stronger reforms than those adopted so far are required.

10. Until now, mechanisms of compensatory finance have been highly inadequate. In late 2008, IMF modified its Exogenous Shocks Facility to compensate low-income countries for trade shocks. IMF also introduced a rapidly disbursing facility for middle-income countries facing large capital flow reversals, the Short-Term Liquidity Facility.

11. Although welcome steps, these changes fell well short of the substantial reforms recommended by the Committee for Development Policy in 2008. Effective implementation, at a much enlarged scale of compensatory financing, commensurate with the size of the external shock, is still urgently needed. Because these shocks are

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[6] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1.

[7] Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (General Assembly resolution 63/239).

not the responsibility of the affected developing countries, these resources should have low or no conditionality attached.

12. Improved compensatory flows can play a crucial role in avoiding unnecessary costs for developing countries by reducing the need to hold high levels of reserves, and by helping to avoid deflationary adjustments and consequently output volatility. Excessive downward adjustments lead to the underutilization of labour and capital and have a negative impact on medium-term development.

13. Accordingly, the Committee reiterates its call for a reformed compensatory financing architecture to provide adequate counter-cyclical official liquidity to developing countries suffering the negative impact of external shocks. The major reforms announced by IMF on 24 March 2009 (subsequent to the meeting of the Committee) go in this direction. These include the creation of a new flexible credit line for strong-performing economies that need insurance and a major overhaul of its lending and conditionality framework. IMF will double the access limits on non-concessional loans, enhance its standby facility, and simplify lending terms. It will also double its concessional lending capacity for low-income members.

14. Modernizing conditionality will imply relying more on predetermined qualification criteria (ex-ante conditionality) rather than on ex-post conditionality as is traditional. Moreover, current pro-cyclical conditionality must be effectively replaced by counter-cyclical development-friendly conditionality. It is particularly important that adjustments should not be at the expense of priority human development expenditures as this would adversely affect the poor and undermine growth potential.

15. IMF seems to be in favour of an active role of fiscal policies in mitigating the impact of the crisis. This view should be effectively taken into account when designing adjustment policies. Given the need for a massive injection of additional liquidity, the case for new issues of SDRs by IMF, with a counter-cyclical role, is particularly strong today.

16. The Committee welcomes the call by the G20 for urgent ratification of the 1997 proposed Fourth Amendment of the Articles of Agreement of IMF, and the support of the G20 for a new general allocation injecting US$ 250 billion into global liquidity. It emphasizes the need for the counter-cyclical use of SDRs by IMF itself and by regional institutions. Additionally, the Committee considers that SDRs should gradually perform as a global currency, becoming part of a reformed development-friendly international financial architecture.

B. Preventing future crises

17. The current global crisis is, to a large extent, the result of the massive liberalization of the financial system, without corresponding regulation. To prevent future crises, it is essential to devise new economic governance mechanisms to tackle the systemic flaws in the global financial system. New regulatory mechanisms ought to be comprehensive (given the major gaps in coverage which led to regulatory arbitrage and increased systemic risk), counter-cyclical (to compensate for the inherent boom-bust behaviour of financial markets) and global in scope.

18. Strengthening international coordination in regulation activities through the reform of existing institutions should be undertaken in a way that guarantees the participation of all actors and countries (including the poorest ones). Past arrangements, such as the Financial Stability Forum, have not constituted an effective regulatory mechanism.

19. Reforms at the international level must be accompanied by the further modification and strengthening of regulations at the national level. In fact, a more adequate international regulation of financial flows would help to reinforce the implementation of national regulatory systems, which too frequently are evaded precisely because of a lack of effective global regulation.

C. Recommendations

20. The following recommendations are put forward to address the current crisis and reduce the risk of future crises:

1. Coordinated response

21. Addressing the current global economic downturn requires coordinated action. The fiscal response needed to revive the global economy needs to be sizeable and well coordinated internationally. Since there are significant asymmetries in the capacity to implement counter-cyclical policies, the developing countries will have to be provided with timely, more easily accessible, and increased compensatory financing, in addition to enlarged ODA.

2. Conditionality

22. The onerous policy conditionality attached to the current sources of compensatory financing has to be revised and aligned to internationally agreed development goals. Not only has conditionality frequently been notoriously inefficient, but the crises currently faced by developing countries are not the result of their own actions and policies. Conditionality must not be contractionary and pro-cyclical, and it should not impose social expenditure cuts on countries requesting external financial support.

3. New issues of special drawing rights

23. The global nature and scale of the present financial and economic crisis require the generation of additional counter-cyclical international liquidity. Part of the additional resources for compensatory financing could be provided through new issues of SDRs, which, by contributing to stabilizing economic activity, would effectively support internationally agreed development goals. New allocations of SDRs should become a rising share of global liquidity in a new international financial architecture.

4. International financial architecture

24. The reform of the global financial architecture should be internationally coordinated and count on the participation of all countries, including the low-income countries. To prevent excessive volatility and the formation of bubbles in financial markets, new comprehensive regulations will have to be designed at both

national and international levels. Changes in tax systems are also required (e.g., capital gains taxes, taxes on trade in risky financial instruments and on short-term capital flows, etc.). The new financial architecture should include more effective systems for combating tax evasion. A gradual reform of the international reserve system is also needed which would increasingly be based on SDRs, away from reliance on few major currencies, leading to progress towards a truly international reserve currency.

Chapter IV
Climate change development nexus

1. Climate change has, and will have, strong adverse impacts on livelihoods and development. Recent scientific findings give additional urgency to the earlier recommendations of the Committee for Development Policy to the international community to tackle this issue in an efficient and equitable manner.[8] For many countries to remain habitable in the long run, emissions of greenhouse gases will have to drop significantly. Addressing climate change requires a cooperative response by a wide range of actors, including adjustments in lifestyles and consumption patterns for many, especially for those in higher-income categories. There is a growing awareness that action is urgently needed, as indicated in the Bali Action Plan,[9] adopted by the Conference of the Parties of the United Nations Framework Convention on Climate Change in 2007. The Bali Action Plan calls for enhanced action on adaptation, mitigation, technology development and transfer, and finance, which should be specified in an internationally agreed outcome by the end of 2009. The Committee addressed some key equity and development issues that warrant consideration in the negotiation of this outcome.

A. International cooperation with respect to climate: a comprehensive vision

2. The current financial crisis provides an opportunity to make a fundamental change in the patterns of international cooperation, investment and production. As the Committee suggested in previous reports, new, sustainable development trajectories should be sought, based on higher energy efficiency and a large component of renewable energy sources. In fact, there are important synergies to be expected from integrating climate and energy-related investments into strategies addressing the economic downturn. Any economic recession, even if it leads to temporary reductions in greenhouse gas emissions, is no answer to the climate challenge, since such drops in emissions can be quickly reversed with economic recovery unless appropriate measures are adopted. Moreover, one third of emissions originate in agriculture and deforestation — which are less affected by the recession.

3. To effectively address the climate change challenge and reduce vulnerabilities to climate change impacts, an agreed approach is needed in terms of specific targets, means and strategies. International cooperation is fundamental for funding the activities in adaptation, mitigation and technology development. A "shared vision" on the international strategy on climate change based on long-term cooperative action — developed in line with the principles of common but differentiated responsibilities and respective capabilities — is currently under discussion. Negotiating parties must ensure that this shared vision shows a clear and strong commitment to the overall objective of sustainable development. It should also include equity considerations such as poverty reduction and promote convergence in terms of per capita income and per capita emissions.

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[8] *Official Records of the Economic and Social Council, 2007, Supplement No. 13* (E/2007/33), chap. II, sect. F, and ibid., *2008, Supplement No. 13* (E/2008/33), chap. II, sect. D.

[9] FCCC/CP/2007/6/Add.1, decision 1/CP.13.

B. Climate change: funding and financial architecture

4. The Bali Action Plan calls for improved access to adequate, predictable and sustainable financial resources. There is a significant deficit for climate change finance in developing countries. The estimates of needs for both mitigation and adaptation are in the range of 0.5-1 per cent of world gross product. Currently available official means for climate change are estimated at $10-20 billion, while concrete proposals put forward to date might generate another $5 billion, clearly well below what is needed.

5. It is crucial that financing is scaled up. Wider ranging options might include gross domestic product-related "contributions" or other forms of public funding. Market-based alternatives such as taxes on capital flows or on international transport, energy use or emissions, transactions in carbon markets, permit-auctioning, and others, can generate additional annual flows by tens of billions of dollars. Many of these mechanisms (e.g., trading of emissions permits and carbon or energy taxation) imply carbon-pricing, which in itself would stimulate the shift towards sustainable, carbon-poor development. Yet, carbon pricing may generate adverse (regressive) income effects and needs to be carefully evaluated owing to its potentially negative implications for development.

6. Additionally, funding for climate change needs to be truly new and additional to other financial resources devoted to international cooperation, and needs to be predictable. In order to enhance predictability, funding should not be voluntary, but must be tied to agreed long-term commitments, based, for example, on pro rata mechanisms (such as levied percentages of financial flows, mandatory contributions in relation to income or production).

7. The current financial architecture for climate change is comprised of multilateral funds as operated by the Global Environment Facility ((GEF), as "operating entity" under the United Nations Framework Convention on Climate Change) and the World Bank and a number of facilities operated by official bilateral donors (e.g., the United Kingdom and Japan). In 2008, a special Adaptation Fund was established under the Framework Convention. While some of the new funding proposals imply additional facilities and financing mechanisms under the Convention, others are being proposed to take place outside it. There is a risk of proliferation and hence a need for synchronization and coordination of these proposals to ensure complementarity, adequacy (both in terms of resources and their use), policy coherence and additionality.

8. The financial "architecture" should facilitate the generation of adequate, new and additional funding and the delivery of finance in a predictable, efficient and equitable way. It would need to be built on, and handle, flows of finance mobilized according to objective criteria reflecting responsibilities and capabilities to contribute. Disbursements should also be based on an agreed set of criteria. Governance must be based on equitable and balanced representation, ensuring proper voice of developing countries in the decision-making process. The overall governance in a new architecture should ensure policy coherence and a focus on sustainable development.

C. Adaptation, vulnerability and national development planning

9. Investing in mitigation now will have benefits in reducing the need for adaptation and in reducing irreversible future damage. Yet, adaptation is still needed not only owing to impacts already being felt, but also owing to those yet to come if mitigation does not succeed in pushing down impact trajectories as expected, or does so too slowly.

10. Financing for adaptation is currently limited. For example, available financial support for designing and implementing national adaptation programmes of action is available only for a specific group of countries — the least developed countries — under the Framework Convention/least developed countries fund. Moreover, the national adaptation programmes of action framework was meant to identify the most urgent and immediate needs and does not provide for the execution of comprehensive adaptation programmes. Adaptation, however, is needed in countries other than least developed countries and should look beyond the pressing needs identified to date.

11. New approaches to adaptation require vulnerability mapping as well as capabilities in exploring and designing adaptation options. GEF has observed that to better assess existing vulnerability to climate change and design proper adaptation responses, there is a need for indices that capture these categories in simple metrics and reflect a combination of factors, including exposure to climate change, impacts of climate change, vulnerability to those impacts and capacity for adaptation. The applicability of (national) climate-related vulnerability indicators could be explored for ensuring greater objectivity in the allocation of resources to adaptation. Currently, there is no such index or indicator.

D. Mitigation and development

12. The industrialized countries are to take a lead in mitigation and international cooperation towards it. However, the modest goals established under the Kyoto Protocol for Annex I countries are not being fulfilled. Meanwhile, the Bali Action Plan includes, in paragraph 1(b)(ii), consideration by developing countries of "nationally appropriate mitigation actions ... in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner". Such expanded support by developed countries clearly would benefit all, for it would allow for sustainable and potentially faster reduction of global emissions compared to reductions of emissions in developing countries facilitated by the existing "clean development mechanism".

13. Global mitigation efforts comprise countries that are capable of undertaking such actions and are historically responsible for accumulated greenhouse gases in the atmosphere (i.e., Annex I countries) as well as countries that, owing to their contributions to current and future commitment, show significant potential for engagement in mitigation once the needed technology and finance are provided. A variety of options are being discussed, each of them to be supported by the necessary resources and capacity, ranging from fixed and binding emissions targets at one end, via non-binding approaches (no-lose targets) and sectoral crediting mechanisms, to the clean development mechanism, and national climate plans based

on sustainable development. In order to ensure equity, historical contributions to accumulated emissions should be a paramount consideration.

E. Conclusions and recommendations

14. The Committee stresses that:

(a) The urgency in undertaking comprehensive national and international action on adaptation, mitigation, technology development and transfer, and finance for climate change is greater than ever;

(b) The current financial crisis provides an opportunity to alter conventional patterns of investment and production; new development trajectories should be sought, based on carbon-saving technologies;

(c) Effective mitigation action will require leadership by developed countries and much deeper cuts by them than have been undertaken until now. The developed countries also need to support the developing countries through finance and technology transfers so that those countries can undertake mitigation actions that enable them to contribute to global emission reductions related to mitigative potentials as well as to the perspectives on equitable burden-sharing as implied in the principle of common but differentiated responsibilities and respective capabilities.

15. The Committee proposes that the Council should consider taking the following actions related to its role in monitoring funding for international cooperation:

(a) To address issues of coherence (and synergy) of climate change-related international funding and international funding supporting other internationally agreed objectives;

(b) To invite developed countries and donor countries to register climate change-related funding separated from their ODA budgets.

16. In addition, the Committee suggests that the Council consider:

(a) Encouraging developing countries, particularly the most vulnerable ones, to develop and/or update their adaptation strategies by looking further into the future. In this regard, additional support by the international community is necessary;

(b) Requesting the appropriate United Nations bodies (in consultation with the Commission on Sustainable Development) to develop a climate impact vulnerability indicator at the national level.

Chapter V
2009 triennial review of the list of least developed countries

A. Introduction

1. The identification of least developed countries — defined as low-income countries suffering from severe structural handicaps to growth — is currently based on three criteria: (a) gross national income (GNI) per capita as an indicator of income generating capacity; (b) the human assets index (HAI) as an indicator of the stock of human assets; and (c) the economic vulnerability index (EVI) as an indicator of economic vulnerability to exogenous shocks.

2. Graduation from least developed country status occurs according to the procedure specified in General Assembly resolution 59/209. The inclusion and graduation procedures at the 2009 review adhere to the additional guidelines as adopted by the Committee for Development Policy in 2007 and 2008 and endorsed by the Economic and Social Council.[10]

3. For a country to be included in the category, all three identification criteria have to be satisfied at given threshold values. Eligibility for graduation requires a country to fail to meet two, rather than only one, of the three criteria, while thresholds for graduation are established at more demanding levels than those for inclusion.

4. The Committee for Development Policy further established in 2005 that a sustainable high level of GNI per capita — at least twice the graduation threshold — is sufficient to make a country eligible for graduation, even if the country does not meet the graduation threshold for either of the two other criteria.[11]

5. A preliminary review of least developed countries was conducted by an Expert Group in January 2009.

6. As in the past the Committee was guided by the need for ensuring flexibility in the application of the criteria where country indicators are very close to the thresholds, and maintaining equal treatment of countries over time. In line with Economic and Social Council resolution 2007/35, it duly takes into account economic vulnerability as a structural characteristic of the least developed countries.

B. 2009 thresholds for identification of the least developed countries

7. In 2009, countries to which the criteria were applied (60 countries as listed in the table below) comprise all developing countries classified by the World Bank as low-income countries in any year of the period 2005 to 2007 and the least developed countries not categorized as low-income countries.

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[10] *Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures* (United Nations publication, Sales No. E.07.II.A.9).

[11] See *Official Records of the Economic and Social Council, 2005, Supplement No. 13* (E/2005/33), chap. IV, para. 30; and Economic and Social Council resolution 2006/1 on the report of the Committee for Development Policy on its seventh session.

1. Gross national income per capita

8. The threshold for inclusion in the present review is a three-year (2005-2007) average GNI per capita of $905.[12] As in the 2003 and 2006 reviews, the graduation threshold was established at 20 per cent above the threshold for inclusion, corresponding to $1,086.

2. Human assets index

9. The human assets index reflects the following dimensions of the state of human development: (a) health and nutrition, measured by: (i) percentage of the population undernourished; and (ii) under-five child mortality rate; and (b) education, measured by: (i) gross secondary school enrolment ratio; and (ii) adult literacy rate.

10. The HAI threshold for inclusion is the third quartile in the ranking of the 60 countries as given in the table below. As in the 2003 and 2006 reviews, the threshold for graduation was established at 10 per cent above the inclusion threshold. Thus, the threshold for inclusion in the list of least developed countries at the 2009 triennial review is an HAI value of 60, while the threshold for graduation is 66.

3. Economic vulnerability index

11. The economic vulnerability index reflects a risk posed to a country's development by exogenous shocks.

12. As in previous reviews, the EVI threshold for inclusion is the first quartile in the ranking of the 60 countries, as given in the table below. As in the case of HAI, the Committee used a difference of 10 per cent between thresholds for inclusion and graduation. The threshold for inclusion in the 2009 triennial review is thus 42, while the threshold for graduation is 38.

[12] The World Bank thresholds for low-income countries during these three years were $875, $905 and $935, respectively.

Table 1. Low-income countries and least developed countries
Criteria used in determining eligibility for inclusion and graduation

Per capita gross national income three-year average 2005-2007 United States dollars			Human assets index (HAI)			Economic vulnerability index (EVI)		
LI L	Burundi	100	LI L	Somalia	9.-	L	Tuvalu	79.7
LI L	Dem. Rep. of the Congo	130	LI L	Afghanistan	15.2	L	Kiribati	75.3
LI L	Liberia	133	LI L	Chad	20.0	LI L	Liberia	65.5
LI L	Guinea-Bissau	187	LI L	Sierra Leone	20.4	LI	Zimbabwe	64.3
LI L	Ethiopia	190	LI L	Burundi	22.1	L	Samoa	64.3
LI L	Eritrea	197	LI L	Dem. Rep. of the Congo	22.6	LI L	Somalia	62.6
LI L	Malawi	233	LI L	Niger	22.8	L	Vanuatu	62.3
LI L	Sierra Leone	237	L	Angola	26.0	L	Equatorial Guinea	60.5
LI L	Niger	267	LI L	Central African Rep.	27.2	LI L	Guinea-Bissau	60.5
LI L	Somalia	282	LI L	Mozambique	27.5	L	Maldives	58.2
LI L	Rwanda	283	LI L	Ethiopia	28.4	LI L	Solomon Islands	58.0
LI L	Gambia	287	LI L	Liberia	30.6	LI L	Lao People's Dem. Rep.	57.9
LI L	Madagascar	297	LI L	Mali	32.6	LI L	Comoros	56.9
LI L	Afghanistan	301	LI L	Rwanda	33.0	LI L	Burundi	56.8
LI L	Uganda	303	LI L	Burkina Faso	33.2	LI L	Timor-Leste	56.7
LI L	Myanmar	306	LI L	Guinea-Bissau	33.8	LI L	Gambia	56.3
LI L	Mozambique	307	LI L	Eritrea	36.2	LI L	Malawi	55.9
LI L	Nepal	320	LI L	Guinea	37.4	LI L	Cambodia	55.6
LI	Zimbabwe	340	LI L	Haiti	39.8	LI L	Eritrea	55.5
LI L	Togo	350	LI	Côte d'Ivoire	40.3	LI L	Rwanda	55.0
LI L	Central African Republic	363	LI L	United Republic of Tanzania	40.6	LI L	Sao Tome and Principe	55.0
LI L	United Republic of Tanzania	373	LI L	Zambia	40.7	LI L	Chad	53.5
LI L	Guinea	413	LI L	Senegal	40.7	LI L	Bhutan	52.9
LI L	Burkina Faso	417	LI L	Benin	41.1	LI L	Sudan	52.9
LI L	Bangladesh	453	LI L	Togo	42.6	LI L	Zambia	52.8
LI L	Chad	463	LI L	Gambia	42.6	LI	Mongolia	52.7
LI L	Mali	470	L	Djibouti	44.5	LI L	Haiti	52.2
LI L	Cambodia	490	LI L	Madagascar	45.5	LI L	Uganda	51.9
LI L	Haiti	490	LI L	Malawi	46.2	L	Djibouti	51.2
LI L	Lao People's Dem. Rep.	510	LI L	Comoros	46.2	LI L	Sierra Leone	50.7
LI	Ghana	513	L	Equatorial Guinea	49.5	LI	Dem. People's Rep. Korea	50.2
LI L	Benin	537	LI	Pakistan	49.6	L	Lesotho	49.9
LI	Dem. People's Rep. Korea	581	LI	Nigeria	50.6	L	Angola	49.8
LI	Kenya	597	LI L	Uganda	51.3	LI L	Dem. Rep. of the Congo	49.3
LI L	Zambia	647	LI L	Sudan	51.4	LI L	Mozambique	48.7
LI L	Comoros	667	LI L	Yemen	52.1	LI L	Mauritania	47.1
LI L	Solomon Islands	683	LI L	Bangladesh	53.3	LI L	Niger	45.8
LI	Viet Nam	703	LI L	Timor-Leste	54.0	LI L	Central African Republic	45.1
LI L	Mauritania	733	LI	Papua New Guinea	54.3	LI L	Yemen	44.9
LI	Papua New Guinea	753	LI L	Mauritania	54.6	LI	Papua New Guinea	44.6
LI L	Yemen	767	LI	Kenya	55.9	LI	Ghana	44.5
LI L	Senegal	773	LI	Zimbabwe	56.3	LI L	Burkina Faso	43.8
LI	Nigeria	780	LI L	Cambodia	57.8	LI L	Togo	42.8
LI L	Sudan	787	LI L	Nepal	58.3	LI L	Benin	42.5
LI	Pakistan	900	LI L	Bhutan	58.6	LI	Nigeria	42.4
LI L	Sao Tome and Principe	910	LI	India	61.7	LI L	Mali	42.3
LI	India	937	L	Lesotho	61.9	LI L	Afghanistan	39.5
LI	Côte d'Ivoire	970	LI L	Lao People's Dem. Rep.	62.3	LI L	Senegal	37.6
L	Lesotho	940	LI	Ghana	63.5	LI L	Myanmar	37.4
LI	Mongolia	1033	LI L	Solomon Islands	64.1	LI L	Madagascar	37.2
L	Kiribati	1048	LI L	Myanmar	66.0	LI L	Nepal	33.6
L	Djibouti	1050	LI	Dem. People's Rep. Korea	71.2	LI L	Ethiopia	32.0
LI L	Timor-Leste	1070	LI L	Sao Tome and Principe	72.1	LI	Côte d'Ivoire	31.5
LI L	Bhutan	1487	L	Vanuatu	72.3	LI L	United Republic of Tanzania	31.0
L	Vanuatu	1737	LI	Mongolia	80.8	LI L	Guinea	27.9
L	Angola	1903	LI	Viet Nam	83.2	LI	Viet Nam	26.5
L	Samoa	2240	L	Maldives	87.5	LI L	Bangladesh	23.2
L	Tuvalu	2544	L	Kiribati	87.6	LI	Pakistan	22.3
L	Maldives	2940	L	Tuvalu	88.4	LI	Kenya	18.4
L	Equatorial Guinea	8957	L	Samoa	92.2	LI	India	17.5
memo item:								
	Cape Verde	2180		Cape Verde	81.9		Cape Verde	46.1

Note: LI: low-income country; L: least developed country. Cape Verde is included as a memo item as part of monitoring the country's development progress.

The thresholds for inclusion in the list of least developed countries are: population less than 75 million; a three-year average 2005-2007 gross national income (GNI) per capita less than $905; human assets index (HAI) less than 60; and economic vulnerability index (EVI) greater than 42. A country must meet all the criteria. Thresholds for graduation from the list of least developed countries are: 2005-2007 per capita GNI greater than $1086; HAI greater than 66; and EVI less than 36. A country must meet at least two criteria to be eligible for graduation.

Data appears above the solid line to indicate that an inclusion criterion has been met by a least developed country. Data appears below the dotted line to indicate that a graduation criterion has been met by a least developed country.

C. Eligibility for inclusion and graduation

1. Countries considered for inclusion

13. The Expert Group identified two countries — Papua New Guinea and Zimbabwe — that meet all three criteria for inclusion in the list of least developed countries (see the table above).

14. After being notified of the findings, both countries informed the Committee for Development Policy of their wish not to be considered for inclusion in the list of least developed countries (as they did after the 2006 review). The Committee, while confirming the eligibility of these two countries, took note of their position in this regard.

2. Countries considered for graduation

15. In the 2006 triennial review, Equatorial Guinea, Kiribati, Tuvalu and Vanuatu had been found eligible for graduation. In January 2009, the Expert Group considered the ex-ante impact assessments prepared by the Department of Economic and Social Affairs and vulnerability profiles prepared by UNCTAD on the four countries and heard oral statements by delegations from each of the four countries.

16. Subsequently, the Committee reviewed the aforementioned reports by the Department of Economic and Social Affairs and UNCTAD and the written statements received from Equatorial Guinea, Tuvalu and Vanuatu.

Equatorial Guinea

17. Equatorial Guinea had in 2005-2007 a GNI per capita of $8,957, relative to the graduation threshold of $1,086 (with GNI per capita in 2007 equal to $12,860). Equatorial Guinea does not fulfil the graduation requirements either for HAI or EVI but has an income level more than eight times the graduation threshold.

18. The source of income is dominated by revenues from petroleum extraction. The amount of reserves and reasonable expectations of oil prices indicate that a high income level, relative to the graduation threshold, is sustainable in the foreseeable future. As indicated in the ex-ante impact assessment, graduation is not expected to have a significant impact on the country's development prospects.

19. The statement from Equatorial Guinea questioned the population data used in the calculation of GNI per capita. The Committee concluded that even with revised population data the GNI per capita of Equatorial Guinea would be well above twice the graduation threshold. The statement pointed to Equatorial Guinea's need for technical support for achieving various development goals until it can be considered an emerging country, and requested the postponement of its graduation.

20. The Committee found that Equatorial Guinea was qualified for graduation.

21. The Committee recognizes the country's need for support from the United Nations and stresses that graduation from the list does not exclude Equatorial Guinea from such support. In this regard, the Committee reiterates the importance of support for transition strategies for graduating countries as agreed to in General Assembly resolution 59/209.

Kiribati

22. Kiribati had in 2005-2007 a GNI per capita of $1,048, slightly below the graduation threshold of $1,086. The HAI for Kiribati was well above the graduation threshold, while it exhibits the second highest EVI after Tuvalu.

23. Kiribati fulfils only one of the criteria and is thus no longer found eligible for graduation.

Tuvalu

24. Tuvalu had in 2005-2007 a GNI per capita of $2,544, well above the graduation threshold. The HAI was also well above the graduation threshold level. The EVI was found to be the highest on the list of 60 countries. Tuvalu thus fulfils two of the criteria as required for graduation.

25. However, Tuvalu is an extreme case of a small archipelagic island country with a population of just above 10,000. Its ODA as a proportion of GNI is exceptionally high. Tuvalu's other main sources of income are volatile (remittances, Trust Fund, fishing licence fees, dotcom revenues) but have given the country a high income with almost negligible primary income generated by productive domestic economic sectors.

26. In view of extreme "smallness" and the lack of productive activities, the Committee questions the sustainability of the present level of income. Therefore, the Committee does not recommend Tuvalu for graduation at the present review. As Tuvalu has been found eligible, however, it will be considered for possible graduation at the next triennial review.

Vanuatu

27. Vanuatu had in 2005-2007 a GNI per capita level of $1,737, as compared to the graduation threshold of $1,086. HAI was also found to be well above the threshold level. EVI, however, remains very high. Vanuatu thus fulfils two of the graduation criteria as required for eligibility for graduation.

28. Vanuatu has contested the values used for the literacy rate. The UNCTAD vulnerability profile also stated that the literacy rate was lower than measured by the United Nations Educational, Scientific and Cultural Organization (UNESCO). The literacy rate referred to by UNCTAD comes from a literacy assessment survey, while the considerably higher figure from UNESCO (used in HAI) measures literacy by census self-declaration.

29. In view of the doubts raised about the level of HAI and about the sustainability of the improvements registered by Vanuatu, the Committee does not recommend Vanuatu for graduation at the present review. As Vanuatu has been found eligible, however, it will be considered for possible graduation at the triennial review in 2012.

Other countries

30. No least developed countries were found eligible for the first time.

D. Monitoring the development progress of graduating countries

31. In response to Economic and Social Council resolution 2008/12, the Committee reviewed the development progress of the two graduating countries, Maldives and Samoa.

32. Maldives has the second highest GNI per capita and the fourth highest HAI score among the 60 countries. Compared to the review in 2006, the GNI per capita of Maldives increased from $2,320 to $2,940, while its HAI position further improved. Looking at the larger group of 130 developing countries, Maldives' HAI now ranks number 39, up from number 52 in 2006. Economic vulnerability, however, remains high; and EVI has increased owing to the impact of the tsunami on its components.

33. Samoa has the fourth highest GNI per capita and the highest HAI score among the 60 countries. As compared to the review in 2006, GNI per capita increased from $1,597 to $2,240, while the country's HAI is ranked 22nd out of 130 developing countries. The country remains economically vulnerable, but there is no noticeable deterioration in its relative vulnerability as indicated by EVI.

34. The Committee noted the continued positive development progress of Maldives and Samoa and reiterated the importance for both countries of developing a smooth transition strategy with the support of their development partners.

E. Monitoring the progress of graduated countries: Cape Verde

35. In its resolution 59/209, the General Assembly requested the Committee on Development Policy to monitor the development progress of countries that have graduated from least developed country status. The main purpose of the monitoring is to assess any signs of deterioration in the development progress of the country under consideration and bring it to the attention of the Economic and Social Council.

36. The three criteria used by the Committee indicate continued progress by Cape Verde (see the table above): average GNI per capita grew from $1,487 since the last review in 2006, to an average of $2,180 for the 2009 review. The HAI remains high and far above the graduation threshold. The EVI improved in relation to the countries that were reviewed in 2009: Cape Verde's EVI is now lower than about half the countries included in the 2009 review.

37. The country's economic growth in recent years has been robust. The economy has been supported by large inflows of official development assistance, remittances from nationals living abroad and, more recently, by a fast-growing tourism sector and the related foreign direct investment. However, the global economic downturn will be felt throughout the entire economy.

38. Cape Verde has been accepted to participate in the Enhanced Integrated Framework and the diagnostic study has been completed. However, the Board of the Enhanced Integrated Framework has not yet considered whether Cape Verde will be eligible for further Framework resources.

39. Although Cape Verde's development progress so far has been satisfactory, the country remains economically vulnerable and sustained efforts are needed to achieve further progress in the structural transformation and upgrading of the economy.

F. Smooth transition

40. Graduated countries need the support of the United Nations and developing partners for a smooth transition and a durable graduation. The Committee underlines that newly graduated countries should continue to benefit from resources particularly important for transition, such as the Enhanced Integrated Framework, and also, in view of their high vulnerability and climate exposure, support from the United Nations Framework Convention on Climate Change Adaptation Fund.

Chapter VI
Future work of the Committee for Development Policy

1. The Committee will continue to align its work programme to the needs and priorities established by the Council and aims to effectively contribute to its deliberations and assist the Council in performing its functions.

2. For its forthcoming twelfth session, the Committee will undertake work on the theme of the 2010 annual ministerial review, "Implementing the internationally agreed goals and commitments in regard to gender equality and the empowerment of women". The Committee plans to focus its work on the impact of the current crisis on women's work and livelihoods, on approaches that are required to maintain the progress made so far and on new strategies to be developed in view of the changing economic environment.

3. In view of the upcoming Fourth United Nations Conference on the Least Developed Countries, in 2011, the reduced number of countries that have graduated from the category of least developed countries and taking into account the suggestions made by the President of the Economic and Social Council on the occasion of the eleventh session, the Committee will review the effectiveness of the special support measures currently made available to least developed countries. It will assess whether such measures contribute to reducing these countries' structural handicaps to development and put forward proposals on how to strengthen such measures.

4. The Committee will also continue to monitor the development progress of countries graduating from the list of least developed countries as requested by the Council in its resolution 2008/12.

Chapter VII
Organization of the session

1. The Committee for Development Policy held its eleventh session at United Nations Headquarters from 9 to 13 March 2009. Twenty members of the Committee as well as observers from several organizations within the United Nations system attended the session. The list of participants is contained in annex I.

2. The Department of Economic and Social Affairs of the United Nations Secretariat provided substantive services for the session. The Chairperson of the Committee opened the session and welcomed the participants. Subsequently, the President of the Economic and Social Council addressed the Committee and presented her views on how the Committee could further contribute to the work of the Council, including in finding successful approaches to deal with the current economic crisis and reviewing the effectiveness of the special support measures made available by the international community to the least developed countries. The Under-Secretary-General for Economic and Social Affairs highlighted the unique opportunity the current times bring for the Council with the expert advice of the Committee to provide leadership in forging a new partnership for governance of the world economy.

3. The Committee would like to express its appreciation to Stephany Griffith-Jones for her participation at the session addressing the global economic crisis.

4. The agenda for the eleventh session and the list of documents before the Committee are contained in annexes II and III, respectively.

Annex I

List of participants

1. The following members of the Committee attended the session:

José Antonio Alonso

Lourdes Arizpe

Albert Binger

Olav Bjerkholt

Gui-Ying Cao

Ricardo Ffrench-Davis (*Chairperson*)

Stanislawa Golinowska

Patrick Guillaumont

Philippe Hein (*Rapporteur*)

Hiroya Ichikawa

Willene A. Johnson

Amina Mama

Adil Najam

Hans Opschoor

Vladimir Popov

Suchitra Punyaratabandhu

Fatima Sadiqi

Frances Stewart (*Vice-Chairperson*)

Milica Uvalic

Samuel Wangwe

2. The following entities of the United Nations system were represented at the session:

Department of Economic and Social Affairs

International Labour Organization

Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

United Nations Conference on Trade and Development

United Nations Development Programme

United Nations Educational, Scientific and Cultural Organization

United Nations Environment Programme

United Nations Institute for Training and Research

United Nations Population Fund

World Food Programme

World Health Organization

Annex II

Agenda

1. Inaugural session.
2. Adoption of the agenda and organization of work.
3. 2009 annual ministerial review on the theme "Implementing the internationally agreed goals on global public health".
4. Climate change and development nexus.
5. Triennial review of the least developed country category.
6. Global financial turmoil and implications for developing countries.
7. Other matters.
8. Future work of the Committee.

Annex III

List of documents before the Committee at its eleventh session

CDP2009/PLEN/1 Agenda

CDP2009/PLEN/2 Report of the Expert Group Meeting on the triennial review of the list of the least developed countries

Country assessment notes

CDP2009/PLEN/3a (a) Papua New Guinea

CDP2009/PLEN/3b (b) Zimbabwe

Written statements by countries found eligible to graduation in 2006

(a) Equatorial Guinea

CDP2009/PLEN/4aen English (unofficial translation)

CDP2009/PLEN/4asp Spanish

CDP2009/PLEN/4c (b) Tuvalu

CDP2009/PLEN/4d (c) Vanuatu

Global public health

CDP2009/PLEN/6a (a) Addressing health inequalities: the role of international cooperation

CDP2009/PLEN/6b (b) Global public health — preliminary draft/summary of background study

CDP2009/PLEN/7 The climate change-development nexus: elements towards a Committee for Development Policy position paper

CDP2009/PLEN/9 The global financial crisis and Eastern Europe

CDP2009/PLEN/10 Bubbles, busts and bailouts: lessons from the global financial meltdown

CDP2009/PLEN/11 Monthly briefing on the World Economic Situation and Prospects, No. 5

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